

RECOMMENDATIONS FOR THE NEXT FARM BILL

Testimony Of

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Introduction

Mr. Chairman, Mr. Ranking Member, and members of the Committee, on behalf of grain sorghum producers nationwide, I would like to thank the U.S. House Committee on Agriculture for allowing us this opportunity to discuss the draft farm bill concept paper.

My name is Leo Bindel, and I serve as president of the National Grain Sorghum Producers. I farm in a family partnership near Sabetha, Kansas between Kansas City and Lincoln, Nebraska. Our diversified operation includes grain sorghum, corn, soybeans and hay.

NGSP represents U.S. grain sorghum producers nationwide. Headquartered in the heart of the U.S. grain sorghum belt at Lubbock, Texas, our organization works to increase the profitability of grain sorghum production.

We would like to start by saying thank you for your hard work on drafting the concept paper. We believe that given the budget, WTO obligations, and other interests involved in the Farm Bill debate, this bill is remarkably fair for all parties.

Loan Rates

Specifically, our industry would like to thank you for your support in equalizing our loan rate in relation to other commodities. There are many factors that support this decision including low stocks-to-use ratios, relative loan rates based on weights of other commodities, high cash markets due to growth in new uses in ethanol, pet food and food products and conservation considerations that we outlined in our April testimony before this Committee. We believe that from a long-term policy standpoint, the loan rate adjustment is one of the most significant conservation items in the bill and I will address this point later in my testimony. It allows producers the ability to plant a crop that will help them meet conservation compliance and save important resources. This loan rate adjustment is critical to the needs of grain sorghum producers nationwide. Additionally, the sorghum industry recommends that a statutory

minimum be placed in the law in the same manner as is done for cotton, oilseeds and rice. We recommend that this minimum level be set at \$1.89 per bushel.

FAPRI analysis indicates that any additional sorghum acreage generated by equalizing the loan rate would generally be non-distortive to grain sorghum supplies. Indeed, from a critical mass and logistics standpoint, increased production would allow the sorghum industry to compete in several premium markets in which we are unable to compete today because of a lack of a reliable supply. It is no mere coincidence that last year, the spread between the sorghum loan rate and other feed grains was the widest it had been in more than 30 years, and our industry harvested the lowest number of acres on record since 1953.

Our market research documents that our chief complaint from end users is that there is not a reliable supply of grain sorghum. We have lost demand because we cannot ensure production, and existing demand has eroded for this reason.

Mr. Chairman, nationally for the current marketing year we expect grain sorghum cash prices to be equal with other feed grains. Given these reasons, as well as those detailed in earlier testimony to this Committee, we commend the committee for your effort in equalizing the relationship between all loan rates.

Counter Cyclical Safety Net

Our organization has been somewhat of a skeptic on all counter cyclical programs. However, the counter cyclical that is proposed here does meet many of our requests. It is totally decoupled and should not drive planting intentions. It is based upon a target price for each commodity instead of a gross revenue program that we do not believe would potentially ever trigger a payment for the sorghum industry. Finally, it allows farmers and ag lenders to work together to figure projections for income and cash flow purposes much better than other counter cyclical plans. NGSP does respectfully request that the sorghum target price be set at a higher level. Agrilogic data indicates those based upon cost-of-production numbers for the different commodities that a \$2.75 target price for sorghum would more fairly represent an appropriate support level for sorghum. Additionally, we support a regional based program but understand given the federal government's budget concerns that reducing the safety net proposal to a smaller geographic area would cost additional money.

Conservation

On a percentage basis, the Conservation Reserve Program (CRP) has taken more acres from our commodity than any other commodity as well as damaged infrastructure and economic

activity in rural communities. For this reason, NGSP does not support any increase in CRP-enrolled acres beyond the current 36.4 million-acre cap.

CRP contracts that were entered into prior to the 1996 Farm Bill retained crop base history and, upon expiration, producers on that land were eligible to enter into a PFC contract. USDA published regulations for the 1996 legislation that eliminated all the crop base history on 10-year CRP contracts signed after August 1, 1996. Under present law, if the PFC program is extended, those acres coming out of CRP in 2006 and beyond will be ineligible for all farm program crop benefits. NGSP recommends that this problem on CRP acres be addressed now, in this Farm Bill we are discussing today. These CRP contracts should be given the same eligibility status as those CRP contracts that were accepted by USDA prior to August 1, 1996. A personal example of this problem is an 80-acre farm in CRP near my family homestead that I would like to buy. But given the fact that today it has no base we are having a hard time establishing a fair market value on the property depending upon if it does or does not have government support payments.

NGSP also is very supportive of the \$300 million fund within EQIP to address ground water conservation issues. But, as we have stated, for our industry the rebalancing of loan rates is the best conservation program of all. Leveling the playing field for grain sorghum will have significant impact on water savings.

Mr. Chairman, I know that many of the members of this Committee are fortunate to be from districts with adequate rainfall and/or abundant water supplies. I know that you are not from one of these areas, Mr. Chairman, nor are you, Mr. Ranking Member; and, much of this country's grain sorghum is grown in areas with limited waters. For those of you on this Committee who are unfamiliar with the water situation to which I refer, a study ordered by the Texas Legislature that covered much of the Texas Panhandle paints the picture clearly on water savings. This study found that the water savings over 50 years in Texas could amount to enough water to supply 294,400 typical homes for a year.

Although the rebalancing of the grain sorghum loan rate does not fall in the Conservation Title, this is a recommendation that stands to benefit both producers and the environment.

Loan Deficiency Payments

NGSP supports the present LDP program, but there are discrepancies in payment levels between adjacent counties. NGSP believes in the spirit of the law that affords payments to those who sell or agree to sell their production without taking out a non-recourse loan on that production. This action avoids the accumulation of commodities by USDA.

The LDP program is a production program, and the producer must account for production. Upon harvest of the commodity and/or the sale of the commodity (loss of beneficial interest), a producer should be eligible for an LDP on that production. Present law states that the producer must have full possession, or beneficial interest, in the commodity at the time he or she applies for an LDP payment. NGSP recommends that beneficial interest rules be changed to allow those who have lost beneficial interest to apply for and receive an LDP, at the rate that was calculated on the day the producer lost beneficial interest in that production.

Trade

From a trade and export standpoint, NGSP supports the increase in funding of the US Department of Agriculture's Market Access Program (MAP) but would recommend that \$10 million of the increase be redirected to the Foreign Market Development (FMD) programs, which enable sorghum producers to effectively maintain market development needs and deliver consistent service to our customers and potential customers overseas.

Research

NGSP supports the \$70 million included for research. NGSP believes that the money the committee recommended would be a huge supplement to the discretionary research dollars traditionally provided through the Appropriations Committee. However, NGSP priorities are the commodity title including loan rates, AMPTA payments and a counter cyclical program, trade and conservation.

Closing Comments

Mr. Chairman, we would like to thank you and the members of this Committee for the opportunity to present our ideas before you today. We look forward to continuing to work together on this process.